
REVIEW

of

Premier Aberhart's Promises

by

D. M. Duggan, M.L.A.

November, 1939

Edmonton, Alberta

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INTRODUCTION

This pamphlet is prepared as a result of numerous requests for information with respect to the Promises, Policies and Programs of the Aberhart Government.

The approach to these subjects must take cognizance of some factors which contributed to a state of political and economic instability during the years 1930-1935.

The following are among the major factors:

1. The rapid decline in Alberta's income through low prices for primary products.
2. Inequitable Dominion-Provincial financial relationship.
3. The burden of public and private debts and high interest rates.
4. The rapidly increasing cost of Government, necessitating progressive increases in taxation.
5. The large number of our Citizens out of employment.

This condition provided an attractive prospect for political adventurers.

In the Provincial election of 1935, the majority of the people of Alberta were induced to believe that a "deliverer" had at last appeared who would be able to free them from the economic difficulties with which they were afflicted. Previous to the election, their protests against existing conditions had been shrewdly fanned by the means of Sunday broadcasts and addresses into a seething flame of open revolt. The new economic principle expounded by Mr. Aberhart under the name of Social Credit was declared by him to be so simple that it could be understood by a primitive child of the bush. The alluring theory was this: "You want to eat, don't you? And you can't eat because you have no money, and you can't have money if you cannot find work." "Elect a Social Credit Government and I will undertake to pay you \$25 a month, whether you work or not!"

Needless to say, Mr. Aberhart's converts knew nothing of Social Credit, but they blindly voted for it because they had faith in him and in his assurance that his novel plan would reduce their taxes and free them from their economic burdens.

The truth and the tragedy of the matter was that Mr. Aberhart—a life-long school-teacher—knew little about taxation and finance, knew little about banking, little about economics, and never had any "plan" at any time for freeing the people from "economic bondage." Furthermore, it must be said that he himself knew that he had no "plan", and there is no evidence that he ever intended drawing one up. It will be recalled that one of the first steps taken by the new Premier was a trip East, where he consulted with some of the leading financiers of the Dominion. He returned to Alberta, not with a Social Credit Plan, but with Mr. Magor, one of Canada's leading orthodox financiers!

By 1937 many of the members of the House who had been elected on the strength of the Premier's promises to introduce Social Credit at the earliest possible moment, demanded that such action be taken during the session of that year. Government members refused to pass the Budget. An interim budget

had to be substituted. An adjournment of the Assembly took place. The insurgents and loyalists took to the hustings and staged a political conflict which was characterized by the most offensive denunciations of any Premier in Canadian history. Rather than acknowledge his failure, which would have resulted in his resignation and the loss of the fruits of office, the Premier compromised with the insurgents by establishing a Social Credit Board, with Mr. G. L. McLachlan as Chairman.

This then, was the beginning of what has developed to be the most astounding burlesque in the political life of Alberta. After four years of office, there is not the slightest sign or hope of Social Credit being introduced into the Province, or of any policy designed to restore social, economic and financial stability.

PREMIER ABERHART'S PROMISES

Among the major pledges made by Premier Aberhart when he sought the mandate of the citizens of Alberta will be found the following:

1. Social Credit with \$25.00 a month dividend.

2. No increase in Taxation.

3. No increase in Public Debt.

4. No repudiation of Government Obligations.

5. No Defaults.

6. Will refund the Public Debt.

7. Will settle Private Debts.

8. Recall Legislation.

The measure of confidence in an administration should be determined by the Ratio of achievements to Public Pledges.

PREMIER ABERHART'S PROMISES

PROMISE No. 1

Social Credit Dividend \$25.00 a Month

*"A cause that cannot live in the white glare of publicity;
A cause that distrusts the judgment of a free and informed people;
A cause that feeds on malice, hatred and black suspicion;
A cause that can only thrive under conditions of regimentation,
repressions and suppressions, is a cause unworthy of the
support of an intelligent electorate and will not, nay, cannot,
long survive in British country.*

Hanna Herald."

Every citizen who has followed the radio broadcasts of Mr. Aberhart must know that the highlight of Social Credit propaganda was a pledge of \$25.00 a month.

One of the first publications by Mr. Aberhart on the subject of Social Credit is known as *"The Yellow Pamphlet"* entitled *"The Douglas System of Economics."*

The following quotation is from Page 2:

"Three factors constitute this wondrously simple plan:

1. Basic dividends are to be given to every *bona fide* citizen in the form of credit."

Page 3—

"Basic dividends should be \$25.00 a month for every bona fide citizen, male or female, 18 years or more. Children of bona fide citizens, 16 years old will receive \$10.00 a month and those 17 years old \$15.00 a month."

"The System Introduced"—

1. Parliament would first have to adopt legislation to introduce it and then institute ways and means of inaugurating and maintaining it.
2. All citizens having money in the Banks, Trust Companies, etc. should purchase Government bonds bearing 4% interest payable in credit.
3. With the money thus obtained, the Government will at once proceed to liquidate all Provincial debts outstanding.
4. If the money is inadequate to meet the present indebtedness, the citizens may be called upon to transfer the cash surrender values on life insurance policies or other documents that would produce money for the Provincial Government as above.

For obvious reasons the pamphlet was speedily abandoned. Study group features in short pamphlet form were next prepared and distributed to the various study groups organized throughout the Province. *"The Social Credit Manual"* with the sub-title *"Social Credit as applied to the Province of Alberta"* was written by William Aberhart, B.A. and published in June, 1935, and is generally referred to as *"The Blue Manual"* to distinguish it from its predecessor. It was used as campaign literature during the Provincial General Election campaign in August, 1935. Under the caption *"The General Outline of the System"* we find a repetition of the *"wondrously simple plan"* referred to in the Yellow pamphlet; *"Basic dividends are to be given to every bona fide citizen."*

In Mr. Aberhart's public addresses, he frequently quoted the sum of \$25.00 a month, and on some occasions stated that the figure was merely suggested for illustration purposes, but on many

occasions he was quite definite in stating that he could provide basic dividends within 18 months, or at the most, 2 years if elected to form a Government. The basic dividends were to be recovered by means of an unearned increment levy constituting a part of the just price. This was the pre-election promise and the main plank in Mr. Aberhart's platform. Among the questions sent in to Mr. Aberhart at his Sunday meetings of the Prophetic Institute was one relating to the payment of \$25.00 a month. "I have been asked," said Mr. Aberhart, "why not make the dividend \$50.00 or \$100.00 per month?" "Well," he replied, "I don't like the idea of putting too much temptation in peoples' way. Too much prosperity all of a sudden might destroy some peoples' morals." The average citizen accepted Mr. Aberhart's public statements as definite commitments.

As the Provincial election approached, Aberhart's stock continued to rise. The bait of \$25.00 a month was to many, irresistible. The millenium was here or would be in 18 months or less. During the following 18 months, being the period required by the Premier to fulfill his promise, Government supporters and members of the opposition were patient and tolerant.

When the first session of 1937 opened, it was obvious that Government supporters were going to demand action. The Budget was held up pending definite assurance from the Premier of a Social Credit plan. Three Bills were introduced by the Acting Minister of Trade and Industry. These Bills were designed to implement a part of the Aberhart plan. Government supporters demanded the withdrawal of these Bills. A vigorous insurgency developed. Demands were made for Aberhart's resignation, genuine Social Credit action and the employment of Social Credit technical experts. Speaking for the Government, the Acting Minister of Trade and Industry said:

"We have considered the advice of economists. We have considered plans submitted to us from all parts of the world by hundreds, but when they say, give us experts, there is no man in the world who has had experience in introducing Social Credit."

"In view of what had happened within the Party, the Government would be justified in refusing to accept any further responsibility for the introduction of Social Credit in Alberta."

At this stage, the Government threw up its hands, admitted failure and delegated the task of evolving a Social Credit plan to a Board, composed of Social Credit members. When the Bill, which clothed the Board with wide powers and authority was before the Legislature, one of the insurgents stated:

"The powers are divided among three bodies—a Board, a Commissioner and the Cabinet. This will make three Cabinets and the result will be bedlam. We don't want a Board to start Social Credit; a Commissioner to stop it and a Cabinet to reverse it."

The Chairman of the Board journeyed to England to confer with Major Douglas. He returned to Edmonton with the twin experts—Powell and Byrne. Peace pledges were signed; the decks were cleared for action and at last, those who allowed their imagination to run riot, saw the fulfillment of the "Premier's promise" of \$25.00 a month. The members were to avoid recriminations over the past and provocative utterances in the future. Mr. Powell's injunction was:

"We have to continue demonstrating to the electorate the value of the innovation which Premier Aberhart has made when he taught electors to demand a result like a dividend of \$25.00 a month and a lower cost of living."

In a report of Mr. Powell, made to the Social Credit Board on the 13th of July, 1937, he stated:

"Unless you can be sure of a full, sufficient amount of support for the duration of the real war upon which you are about to enter, you would be wise to withdraw now."

The war was for the purpose of implementing the Premier's promise of \$25.00 a month.

Further evidence of Premier Aberhart's promise to pay \$25.00 a month dividend can be secured by reviewing the statements by Premier Aberhart to the press of this Province. For instance:

Dec. 23, 1935—EDMONTON JOURNAL:

Premier Aberhart stated that he could put Social Credit into effect "When I get a good foundation." "You all know me," he said, "give me a chance. If I find out that I can't do it, I will throw up my hands and quit. In six months you will have recall legislation and you can banish me to the tall timbers. It is only six months since I got in and you are impatient. You can give me 2 years or put me out."

July 4, 1936—EDMONTON JOURNAL:

Payments of basic dividends within 18 months, which would make them due on March 3, 1937, was reiterated by Premier Aberhart Tuesday.

August 26, 1937—EDMONTON BULLETIN:

"Dividends sure," says Premier at Entwistle. "You asked for it and must get it."

No further evidence is necessary to establish the fact that a dividend of \$25.00 a month was promised, and that failure must now be admitted.

Mr. Powell has returned to his home in England. Mr. Byrne is preparing political addresses for the Premier. Social Credit has been abandoned. The Premier has gone for a ride in the Herridge wagon and the people are waiting impatiently to pronounce the verdict.

Stephen Leacock in his adventures "Out West" states:

"Social Credit did not spring from the soil of the West. It blew in on the wind from the outside, like the locust and the potato bug and the rust on the wheat."

PREMIER ABERHART'S PROMISES PROMISE No. 2

No Increase in Taxation

Throughout the entire election campaign in 1935, Mr. Aberhart and his supporters drew colorful pictures of Alberta's excessive Public Debt and the weight of taxation which improvident Governments had imposed upon the citizens.

"No increase in taxation" was a frequent assertion.

Following the election, according to the Calgary Herald, Premier Aberhart stated at the Calgary Prophetic Bible Institute: "Our citizens are not going to be asked to give one thing to the Government—get that clear."

Contrast the foregoing with what follows:

On November 19, 1937, the Edmonton Bulletin reports:

"Alberta scans horizon for new taxation sources."

"Sources of revenue needed," Premier asserts.

At the close of the regular Session in 1938, the Edmonton Journal reports:

"Increased taxation for Albertans is high spot in work"

A review of "Income" covering the Social Credit regime presents an amazing picture of the progressive increase in taxation.

The following tabulation is a comparative record of Revenue on "Income Account" for the Fiscal years 1935 to 1939 inclusive:

	1935	1936	1937	1938	1939
Particulars					
Dominion of Canada subsidies.....	\$ 1,771,475.00	\$ 1,771,475.00	\$ 1,776,071.00	\$ 1,776,130.20	\$ 1,781,787.80
Taxes.....	4,956,956.93	5,432,527.33	7,400,266.66	8,694,404.86	8,245,797.60
Licenses.....	1,883,814.88	1,686,965.12	1,426,171.02	2,265,023.83	2,544,531.92
Fees.....	1,933,791.81	2,004,145.61	2,339,856.40	2,495,397.10	2,785,111.16
Fines and Penalties.....	46,605.22	43,743.11	59,604.95	61,474.24	68,742.49
Profits from Trading activities.....	1,527,133.54	1,848,868.48	2,404,275.39	2,595,820.01	2,780,771.92
Miscellaneous.....	86,749.03	107,519.75	50,559.69	50,625.33	59,216.08
Refund of Expenditure.....	1,986,379.52	2,171,507.35	3,895,673.84	5,059,521.10	4,798,159.20
From Revenue Producing Assets.....	1,504,864.55	1,508,399.87	1,390,566.77	1,129,408.87	1,205,699.23
Total	\$15,697,770.48	\$16,575,151.62	\$20,743,045.72	\$24,127,805.54	\$24,269,817.40

Per Capita.....	\$20.47	\$21.61	\$26.84	\$31.22	\$30.82
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Increases in Revenue in 1939 over 1935 are as follows:

Subsidies.....	\$ 10,312.80
Taxes.....	3,288,840.67
Licenses.....	660,717.04
Fees.....	851,319.35
Fines and Penalties.....	22,137.27
Profits from Trading Activities.....	1,253,638.38
Refund of Expenditure.....	2,811,779.68
	\$8,898,745.19

Decreases:

Miscellaneous.....	\$ 27,532.95
Revenue Producing Assets.....	299,165.32
	326,698.27
Net Increase in Revenue.....	\$8,572,046.92

It will be noted the increase in revenue obtained from "Refund of Expenditure" amounts to \$2,811,779.68. This item includes the contribution of \$2,170,607.17 made by the Dominion Government towards unemployment relief.

In order to make a comparison between 1939 and 1935, this amount should be deducted..... 2,170,607.17

In 1935 this contribution was carried to capital account instead of Income Account.

A true comparison 1935 with 1939 shows a net increase in 1939 of..... **\$6,401,439.75**

WHERE SOME OF THE INCREASED TAXES CAME FROM

(a) Wild Land Tax.

Legislation providing for the imposition of the Wild Lands Tax, was enacted in 1914. The purpose of this tax was to supplement the revenues of the Crown by extracting a tax at the rate of 1% of the assessed value of all lands within the Province, not exempt from taxation under the Act. Certain exemptions were provided. During the period 1923 to 1935, the revenue decreased from \$546,000 to approximately \$55,000.

A reference to "The Report of the Alberta Taxation Enquiry Board on Provincial and Municipal Taxation" filed in November, 1935, will find certain recommendations made by the Board. Among the recommendations are the following:

"THAT the continuation of this impost constitutes a penalty on private ownership of unoccupied lands."

"THAT the present burden of Municipal and School taxes, together with a Supplementary Tax and the Wild Lands Tax is resulting in the abandonment of lands to the Municipality, and that the burden of the latter tax is primarily the cause."

"THAT where abandonment of lands is due to Provincial taxation, a grave injustice is inflicted on the Municipalities and School Districts, in which such lands are located and revenues, badly needed by them, are consequently lost."

"THAT further abandonment of these lands would be substantially averted by the abolition of this tax."

The Act was repealed during the 1936 Session of the Legislature. Legislation was re-enacted at the 1938 Session, being Chapter 12—"An Act Respecting the Taxation of Wild Lands."

In addition to the views expressed by the Alberta Taxation Enquiry Board, numerous representations were made to the Government, emphasizing the excessive burden of taxation on land, but all opinions and representations were brushed aside with the imposition of the additional tax.

(b) Substituting "Social Service Tax" for "Supplementary Revenue Tax" with increase in rate from 2 to 3 mills.

Social Service Tax.

The following statement will indicate the increase in Taxation and particularly the additional burden on "land" brought about through the "Social Service Tax."

Assessment Changes Made in the Four Equalization

Periods—1921, 1926, 1931 and 1935			
1921 to 1926		1926 to 1930	
Urban.....	\$117,378,877	Urban.....	\$ 92,856,300
Rural.....	608,507,658	Rural.....	412,348,740
Total.....	\$725,886,535	Total.....	\$505,205,040
1931 to 1934		1935 to 1937	
Urban.....	\$ 95,143,150	Urban.....	\$ 87,716,650
Rural.....	435,794,055	Rural.....	379,454,417
Total.....	\$530,937,205	Total.....	\$467,171,067

In 1921 the average assessed value of rural land was \$15.49 per acre. In 1931 it stood at \$10.30 per acre, the reduction being \$5.19 per acre.

It will be noted that the present equalized assessment covering the years 1935-36-37 is \$63,766,138 less than the previous equalized assessment, resulting in a reduction of the annual levy to the extent of \$127,532.

It should also be noted that the total reduction in assessments since 1921 stands at \$258,715,468, the urban reduction being \$29,662,227 and the rural no less than \$229,053,241.

The above figures clearly show that those responsible for determining land values for the purpose of the Supplementary Revenue Tax recognized the shrinkage in values, both urban and rural, and endeavored to establish assessments more in conformity with changed conditions.

The following are the amounts obtained from this tax over a number of years:

1930-31	\$827,525	1934-35	\$ 915,099
1931-32	824,376	1935-36	899,519
1932-33	830,502	1936-37	1,150,434
1933-34	827,128	1937-38	1,158,431
		1938-39	1,394,078

The increase in revenue from this tax is due to the fact that in 1936 the previous rate of 2 mills was changed to 3 mills, this being an increase in the levy of 50%, and the name of the tax changed from that of "The Supplementary Revenue Tax" to "The Social Service Tax", with no change in the equalized assessment established in 1934.

(c) Income Tax.

Revenue from Income Tax. Fiscal Years ending March 31st:

1935	1936	1937
\$377,971.39	\$683,751.01	\$1,064,596.60
1938	1939	1940 (Est.)
\$1,190,471.65	\$1,466,576.42	\$1,350,000.00

For the six months ended Sept. 30, 1939, the actual revenue for income tax reached a new high of \$1,503,782.89.

Who Provides the Increased Revenue from Income Tax?

Income Tax Assessments:

The following comparative schedules will disclose the increase:

	Tax on		Tax on		Percent.
	1935	Maxi. Income	1936	Maxi. Income	of In- creases
"Taxable Income"					
On the first \$1,000 of Income of any por- tion thereof			2%		
On the first \$2,000 or any portion thereof	1%	20.00			
On any amount in ex- cess of \$1,000 and not in excess of \$2,000			3%	60.00	200%
On any amount in ex- cess of \$2,000 and not in excess of \$3,000	2%	60.00	4%	120.00	100%
On any amount in ex- cess of \$3,000 and not in excess of \$4,000	3%	120.00	5%	200.00	66⅔ %
On any amount in ex- cess of \$4,000 and not in excess of \$5,000	4%	200.00	6%	300.00	50%
On any amount in ex- cess of \$5,000 and not in excess of \$10,000	9%	900.00	11%	1,100.00	22%
On any amount in ex- cess of \$14,000 and not in excess of \$15,000	14%	2,000.00	16%	2,400.00	20%

There is an extra 1% increase in 1938 on all income brackets in excess of \$15,000 a year, but as there are very few incomes in Alberta in excess of this amount, it is obvious that the substantial increase in revenue obtained from this tax is paid by the large body of citizens who receive small and moderate salaries.

The following "Table" reveals the facts:

**Province of Alberta Income Tax Collections
from Individuals in Alberta**

	Income Year 1936			
Income Groups	No. of	Amt. of	Personal	Taxable
	Taxpayers	Net Income	Exempt.	
		Assessed	and credits	
			for	
			dependents	
	(In millions of dollars)			
		\$	\$	\$
\$ 750 to \$ 1,000.....	4,993	4.2	3.5	0.7
1,001 to 2,000.....	7,715	11.1	7.5	3.6
2,001 to 3,000.....	3,932	9.6	6.6	3.0
3,001 to 4,000.....	1,372	4.7	2.6	2.1
4,001 to 5,000.....	550	2.4	1.1	1.3
5,001 to 10,000.....	644	4.2	1.3	2.9
10,001 and over.....	130	1.8	0.3	1.6
Total.....	19,336	\$38.1	\$22.9	\$15.2

No exception is taken to the principle of the "Income Tax", nor would objections be made to an equitable scale of increases, provided corresponding relief were given to "Property." Alberta citizens accepted the Premier's work—"There will be no increase in taxation."

(d) Automobile Drivers' Licenses.

During the regime of the Social Credit Government, nearly every class of business has been called upon to pay a new License. This impost adds to the burden of what might be termed "Taxes." As an illustration, we submit herewith the amount of revenue obtained from Motor Car Drivers' Licenses. Fiscal year ended March 31:

1936	1938	1939
\$7,151.75	\$122,103.00	\$131,182.00

The increased revenue from this source is due to the fact that commencing April 1, 1936, a Drivers' License would cost \$1.00 per year, whereas prior to April 1, 1936, the cost of a Driver's License was 50c for an indefinite period—not annually.

(e) Sales Tax.

During the first Session of the Legislature, following the election of the Social Credit Government, an Act was passed to provide for the imposition of a Sales Tax. The Act came into operation on May 1st, 1936. During the special Session in August, 1937, due to pressure of the private members supporting the Government, the Provincial Treasurer announced the suspension of the Act.

During the period of operation, the Government obtained \$1,616,384.44. This amount was paid by the citizens of Alberta in addition to all other forms of taxation.

General.

In addition to the foregoing increases in "Taxation," it will be recalled during the session 1938 an Act was passed entitled—The

1938 Securities Tax Act—Chap. 7. This Act imposed a tax for the year 1938 of 2% on the principal sum of mortgages, whether they are first, second or third mortgages and irrespective of whether the security is worth anything. This Act was disallowed by the Dominion Government.

Further, an Act was passed in 1938 which provided that 7% of all agricultural produce was to become the property of the Crown. This Act was held to be "ultra vires."

There are many other avenues of revenue which show minor increases in "Taxation" all of which imposes an unwarranted burden on Citizens of Alberta. In the light of the pledges and promises made by the Premier, so as to obtain and retain power—is it any wonder that confidence in the present Government has been completely destroyed?

Excerpt from letter appearing in Edmonton Journal, on Friday, August 11th, 1939, by JOHN HARROLD, resident of Sturgeon District

Mr. Harrold was a member of the local School Board from Feb. 2, 1900 until Feb. 3, 1939.

"The year 1937, our school taxes were \$14.40 per quarter section. In 1938, they were \$16.80 for the same amount of land."

"On February 3, 1939, this School District was forced to hand over their school district's business and resources to the officials of the Government, as they felt that the resident taxpayers were no longer capable of operating the schools."

"Consequently, my school taxes on a section of land have risen from \$67.20 in 1938 to \$175.12 in 1939. We have the same teacher we hired in 1938; same school, same everything, except all local interest is destroyed."

Who Pays the Increased Taxes?

Members of the Social Credit Government are endeavoring to convince the Public that the substantial increase in taxes does not materially effect the average taxpayer, as the increases are being borne by Corporations and people in receipt of large incomes.

A casual examination of the foregoing illustrations will disclose sufficient evidence to prove our contention that the average citizen carries much of the burden of increased taxation.

School Tax 6. 1/4 sec - 1438 - 96.70
" " " " 1939 - 195.51

**COMPARATIVE STATEMENT EXPENDITURE ACCOUNT FOR
THE FISCAL YEARS ENDED MAR. 31, 1935, 1936, 1937, 1938, 1939**

Particulars	1935	1936	1937	1938	1939
Debt Charges.....	\$ 7,137,338.25	\$ 7,338,567.89	\$ 4,460,447.53	\$ 3,961,011.41	\$ 3,963,433.09
Education.....	2,285,350.24	2,452,316.86	2,552,432.91	2,548,391.23	2,703,631.81
Legislation.....	203,714.37	356,119.90	193,675.62	232,993.03	209,014.79
General Government.....	1,451,236.40	1,522,682.23	1,677,505.64	1,772,414.27	1,903,168.51
Miscellaneous.....	30,264.80	45,412.81	48,450.61	40,541.56	55,158.87
Administration of Justice.....	768,068.48	746,681.07	749,133.14	783,885.61	783,724.12
Agriculture.....	401,554.01	400,182.99	465,768.76	428,625.33	501,510.00
Public Domain Research and Development.....	484,333.89	403,498.22	509,973.81	446,215.84	649,814.13
Public Welfare Institutions and Charitable Grants.....	3,831,873.11	4,155,676.37	5,941,282.95	9,761,884.05	9,140,684.20
Highways, Bridges and Ferries.....	798,586.66	726,053.77	1,035,845.91	1,336,618.36	1,288,917.96
Com. and Fines Paid to Municipality and Refunds.....	43,501.16	78,757.75	30,775.95	47,158.77	43,568.00
	\$17,435,821.37	\$18,225,949.86	\$20,665,192.83	\$21,359,739.46	\$21,242,625.48

Increases in Expenditure in 1939 over 1935 are as follows:

Education.....	\$ 418,281.57
Legislation.....	5,300.42
General Government.....	451,932.11
Miscellaneous.....	24,894.07
Administration of Justice.....	15,655.64
Agriculture.....	99,955.99
Public Domain Research, etc.....	165,480.24
Public Welfare.....	5,308,811.09
Highways, Bridges, etc.....	490,331.30
Com. and Fines paid to Municipalities.....	66.84
	\$ 6,980,709.27
	3,173,905.16
	\$ 3,806,804.11

Decreases: Debt Charges

It will be noted "Public Welfare" has a very substantial increase over the year 1935. This item includes "Relief" amounting to \$1,427,626.10. In 1935, Relief costs were paid out of "capital" account and not out of "Income" account.

"Debt charges" in 1939 are limited to approximately one-half of the total commitment for interest and do not include any payment to Sinking Funds. The Courts have ruled that the unpaid interest charges are a legal obligation of the Province, and certain statutes make it obligatory to provide Sinking Fund payments. In 1935, full interest on the Public Debt and payments to Sinking Funds were paid.

In order to show the true position in 1939 compared to 1935, it is necessary to include in the schedule of expenditure the two items which were withheld or deferred in 1939, but paid in 1935, namely:

(a) Interest charges withheld amounting to approximately.....	\$3,750,000.00
(b) Sinking Fund charges deferred.....	800,000.00
	<u>\$4,550,000.00</u>

Revised Comparative Statement—Expenditure Income Account for the Fiscal Year ended March 31, 1939

1935	1939
\$17,435,821.37	\$21,359,739.46
Interest payable but withheld.....	3,750,000.00
Sinking Fund payments deferred....	800,000.00
	<u>\$25,909,739.46</u>
Less relief charges transferred to Capital a/c.....	1,427,626.10
	<u>\$24,482,113.36</u>
Increase in ordinary expenditures in 1939 over 1935.....	<u>\$ 7,046,291.99</u>

If relief charges had been capitalized in 1939, as they were in 1935, and Interest and Sinking Fund charges paid in full, the total expenditure in 1939 would amount to \$24,482,113.36, or an increase of \$7,046,291.99 over 1935.

If the Government applied its "interest-cut" policy to other Government obligations, expenditures could be reduced to any amount which would be pleasing to the Government.

In regard to the policy of paying relief charges out of Income Accounts, it is obvious that this is going to prove costly to the Province. In the "Submissions" made to the Royal Commission on Dominion-Provincial financial relationship, Manitoba and Saskatchewan claim that loans made by the Dominion Government for relief purposes should be discharged. Pending a settlement of this question, the previous Alberta Government and the Governments of Manitoba and Saskatchewan capitalized relief costs in the belief that an equitable settlement with the Federal Government would ultimately be made.

The change in policy by the Social Credit Government which compels the Alberta taxpayer to pay relief charges, can be interpreted by the Ottawa Government as acceptance by Alberta of a higher percentage of the cost of relief. It is obvious the overburdened taxpayer is not in a position to assume the additional responsibility of Relief Charges, especially at a time when the

prices of our primary products are at such low levels. The compulsory cut in interest on our Public Debt has not provided any relief to the taxpayer, as this temporary saving is more than offset by the imposition of new taxes. Doubtless, the Social Credit Government will boast of a saving in interest rates.

The achievement would be creditable if an honorable course had been pursued, but the method employed by the Government is proving very costly to the people of Alberta.

Lower interest rates are available through negotiations, thereby averting the disastrous effects of repudiation.

The net results of the policies of the present Government are *Destruction of Credit and Higher Taxes.*

Special Increases in Expenditure

(a) Payment to Members of the Legislature and to Members of the Executive Council, Salaries, Indemnities and Travelling Expenses:

1935.....	\$173,402.66	
1936.....	176,329.88	
1937.....	173,591.05	
1938.....	212,844.13	
1939.....	208,084.02	
Increase in 1939 over 1935.....		34,681.36

(b) Salaries, Travelling Expenses, Miscellaneous Expenses paid to Civil Servants:

1935.....	\$3,250,103.78	
1936.....	3,420,879.69	
1937.....	3,497,427.20	
1938.....	3,620,910.58	
1939.....	3,833,986.20	
Increase in 1939 over 1935.....		583,882.42

(c) Increase in Number of Civil Servants:

According to Alberta Public Accounts the Number of Civil Servants on the Government pay rolls in 1935 and 1938 are as follows:

1935	1938
P. A./CS. Pages 260-310	P. A./CS. Pages 256-314
2,571 persons	3,971 persons
Increase—1,400.	

These figures represent permanent and temporary staff.

(d) 1936-1937—Cost of printing registration forms under the Social Credit Measure's Act, \$8,294.64.

(e) Special Warrants:

Administration of Alberta Prosperity Certificates	\$ 14,973.02
Administration of the Sales Tax Act.....	105,247.42
Special advisers.....	4,041.51
Trade Commissioner's Office—Montreal.....	2,409.97

(f) 1937-1938:

Board of Industrial Relations.....	15,852.08
Administration of Marketing and Alberta Credits Acts.....	29,728.55
Administration of Sales Tax Act.....	93,538.01
Special Warrant—Alberta Prosperity Certificates.....	2,043.64
Special Warrant—Committee on "Case for Alberta".....	12,137.12

(g) 1938-1939:

Alberta Social Credit Act	52,113.01
Establishment of Treasury Branches	69,327.07

(h) 1939-1940:

Board of Industrial Relations.....	28,700.00
Alberta Social Credit Realization Act.....	52,150.00
Treasury Branches—Income Account.....	239,500.00
Treasury Branches—Capital Account.....	28,335.00

(i) Payments to the Members of the Legislature engaged in administrative capacity.

It is an accepted practice of Governments to create committees of the Legislature to examine into the operation of certain Acts of Parliament, with a view to recommending appropriate changes, but it is an entirely new departure to engage members of the Legislature for administration or executive functions. Since the "insurgency" in 1937, several committees or commissions have been appointed and large sums of public funds appropriated for salaries and expenses.

Examples:

(1) Relief Committee:

Personnel	Salaries	Expenses	Total
A. V. Bourcier.....	\$1,296.00		
Mrs. Gostick	1,280.00		
Dr. Robinson.....	1,264.00		
	<u>\$3,840.00</u>	<u>\$314.05</u>	<u>\$4,154.05</u>

(2) Social Credit Board:

F. M. Baker.....	\$1,232.00	\$ 601.76	\$1,833.76
W. E. Hayes	1,688.00	535.44	2,223.44
A. J. Hooke.....	1,464.00	590.41	2,054.41
G. L. MacLachlan.....	2,360.00	868.81	3,228.51
Dr. McPherson.....	440.00	124.80	564.80

(Period: Apr. 1/38 to

Dec. 1/38).....	<u>\$7,184.00</u>	<u>\$2,720.92</u>	<u>\$9,904.92</u>
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In addition to the foregoing salaries and expenses, the staff and office expenses of the Board during the same period cost the taxpayer as follows:

Honorarium of	
G. F. Powell.....	\$ 4,000.00
Major Douglas.....	50.00
Office Expenses.....	15,834.38

\$29,789.30

Public Relations:

Salaries.....	\$5,231.97
Travelling Exp.....	5.25
Pamphlets.....	1,758.84
Office.....	748.89

7,844.95

For 9 month period.....\$37,634.25

Public Pay for Political Pamphlets

Cost of Pamphlets.

1938 Session—Vote 931—Public Relations B—Pamphlets—
\$15,000.00.

1939—Session—Vote 1208—Public Relations B—Information
Services—\$12,000.00.

It will be noted that the word "pamphlets" was dropped from the Estimates for the year 1939-1940, and the words "Information Services" substituted therefor. There is an obvious purpose in this change.

"Public Relations" appropriation is included in "vote 1208" —"Alberta Social Credit Realization Act," which is administered by the Department of Trade and Industry.

The main function of the Public Relations staff is to prepare political pamphlets, and act as propagandists, for the Social Credit Party. No one objects to a staff being employed by any political party, but a most serious situation has developed when "party expenses" are paid out of "public funds."

The following subjects will indicate the type of material published by the Government in pamphlet form:

SOCIAL CREDIT BOARD:

1. Truth and the People Triumph.
2. And This is Democracy.
3. Democracy Denied.
4. The Records Tell the Story.

DEMOCRACY SERIES:

1. Sabotage and Restriction.
2. What Takes Away Your Living?
3. The Power of Money Control.
4. If It's Physically Possible, it Must be Economically Feasible.

RADIO DISCUSSIONS:

Booklet containing 8 Radio Discussions by Alberta Cabinet Ministers.

PUBLICITY COMMISSIONER'S OFFICE:

Addresses by Cabinet Ministers during the 1939 Session of the Legislature.

1. Let's Look at the Record —delivered in the Legislature by Premier Aberhart—Feb. 17, 1939.
2. Financial Tyranny and the Dawn of a New Day —delivered in the Legislature by Hon. E. C. Manning—Mar. 6, 1939.
3. Government Achievements —delivered in the Legislature by Hon. W. W. Cross, M.D.—Feb. 20, 1939.

The most recent pamphlet issued is entitled "The Records Tell the Story, 1905-1936; 1936-1939." Many of the statements contained therein are inaccurate and misleading. For instance:

Page 5—"The Legacy" "The Liberal Rule"—1905 to 1921."
"Accomplishments":

"Granted—Women's Vote."
"Granted—Workmen's Compensation."
"But: Borrowed to the Limit."

The most bitter opponent of the Liberal Party would concede many more accomplishments from 1905 to 1921, and the statement "Borrowed to the limit" is untrue. Until the advent of Social Credit, the Province enjoyed a strong and enviable "real credit" position.

Page 6—"The Legacy." "U.F.A. Rule 1921 to 1935."

1. "Left Treasury empty."
2. "Left Sinking Fund frozen."
3. "Stopped Savings Certificate payments."

Statements Nos. 1 and 2 are untrue. No. 3—Payment of Savings Certificates was stopped immediately following the election; at the request of Mr. Aberhart.

The practice of producing political pamphlets at the expense of the people should be a matter of grave public concern.

Special Warrants.

Authority for the issuance of Special Warrants is to be found in Chapter 12—Revised Statutes of Alberta, 1922.

Section 72—(1):

(b) *"If when the Legislature is not in session any accident happen to any public work or building which requires an immediate outlay for repair thereof, or on any other occasion when any expenditure not foreseen or provided for or insufficiently provided for by the Legislature is urgently and immediately required for the public good, then upon the report of the Treasurer that there is no legislative provision, or, if any, that the amount is insufficient and upon the certificate of the head of the department having charge of the service in question that the necessity is urgent, the Lieutenant-Governor-in-Council may order a special warrant to be prepared to be signed by himself authorizing the expenditure of the amount estimated to be required which shall be placed to the credit of the account and against which cheques may be issued from time to time in the usual form as they may be required."*

It will be noted that the foregoing legislation makes provision for the payment of funds for the completion of work authorized by the Legislature, and for undertakings which were not contemplated during a session of the Legislature, but are "urgently and immediately required for the public good." A normal interpretation of this legislation does not, in any way, conflict with "responsible Government."

During recent years, the Government has carefully avoided the inclusion of many items in the Estimates, as the disclosure of certain projects would obviously involve considerable debate.

Under the method employed by the Government in the expenditure of public funds, the estimate of an overall deficit for the year 1939-1940 of \$1,150,000 is misleading, as already substantial sums of money have been paid out on the authority of Special Warrants. In many cases, the expenditures were not for the completion of public works or for projects which "were urgently and immediately required for the public good."

The following tabulation contains a few of the recent expenditures which violated the intention of the authority with respect to Special Warrants:

1. Furnishings and equipment of Treasury Branches	\$ 16,000.00
2. Cost of Treasury Branch building in Edmonton, together with furnishings	37,700.00
3. Administration expenses of Provincial Treasury Branches	200,000.00
4. Purchase of Treasury Branch building in Calgary	56,000.00
5. Purchase and alteration of Ramsey Building in Edmonton	150,000.00
6. Expenses of Experts surveying possibilities of refunding the Debt of Province	3,750.00
7. Dr. Viner's report on the Finances of the Province	3,148.95
8. Equipping Provincial Fire Insurance Branch	10,000.00
9. Establishing Provincial Purchasing Agency	7,500.00

The foregoing indicate a lamentable indifference to public expenditure and one of the major reasons why the burden of Provincial taxation has become so unbearable.

PREMIER ABERHART'S PROMISES

PROMISE No. 3

No Increase in Public Debt

According to the Public Accounts for 1935, and the Interim Financial Report for the six months ended June 30, 1939, the net funded and unfunded debt of the Province is as follows:

March 31, 1935.	\$153,903,328.48
August 31, 1935.	153,923,027.49
June 30, 1939.	149,884,668.25

Approximately twenty-six and a half millions of the Debt is owing to the Dominion Government. Against this amount, there is an item of approximately six millions due from the Government to the Province, if the Province accepts the award of the Royal Commission on Natural Resources. There is another item of approximately nine and one-half millions owing to the Province by the Dominion Government which is represented by a non-transferable debenture issued to the Province under the School Lands Fund Settlement.

It is true the **book position** of the Public Debt of the Province has been slightly reduced during the last four years, but the statement in itself presents a wrong picture. On June 1st of this year, the final payment was made by the Railway Companies covering the sale of the Northern Railways, an item of \$5,580,000. This payment went to retire an equivalent amount of Treasury Bills, held by the Imperial Bank, thereby reducing the debt accordingly. At the same time, the payment by the Railway Companies wiped out an asset. In a recent broadcast, the Hon. Solon Low explained the effect of this settlement, but the Premier added: "It stopped interest to the Bank," leaving the impression that the Province was saving interest on \$5,580,000. He did not tell the public that the settlement also stopped a higher rate of interest from the Railway Companies to the Province.

In the second place, the Wheat Pool is gradually liquidating its obligation to the Government's assets. Another factor is the liquidating value of Sinking Fund securities. As at March 31, 1935, the General Revenue Sinking Fund amounted to \$9,925,223.34, and as at June 30, 1939, it amounted to \$12,819,804.35, an increase of approximately two and three-quarter millions. Of this amount, over nine hundred thousand has been contributed by the Alberta Wheat Pool. As far as the actual value of Sinking Fund holdings is concerned, the figures are misleading. There were no Alberta Treasury Bills in the account as at March 31, 1935, but at December 31, 1938, we find \$1,359,000.00 of Provincial Treasury Bills. As a result of Government policies, there is a depreciation of approximately thirty-three and one-third percent in the value of the securities, held in the Sinking Fund. If we made an analysis of the actual value, and not the book value, we would find that the position was infinitely more favorable in 1935 than it is today.

Sinking Fund Arrears.

Under the terms of order-in-council No. 1160, dated August 14, 1936, Sinking Fund contributions required by various statutes and orders-in-council were deferred or temporarily suspended:

General Sinking Fund.	Mar. 31/35	Dec. 31/38
Contributions in arrears.....		\$2,137,092.67
Irrigation Districts Sinking Fund.		
Contributions in arrears.....	\$77,499.41	621,356.06
Drainage Districts.		
Contributions in arrears.....		4,105.62
Payment of interest on Alberta bonds due to Sinking Fund but retained by Government:		
General Sinking Fund.....	Nil	431,818.00
Irrigation Districts Sinking Fund.....	Nil	83,542.59
Drainage Districts Sinking Fund.....	Nil	16,261.24
	<u>\$77,499.41</u>	<u>\$3,294,176.18</u>

An important factor in considering the success of the Government in preventing an increase in the Public Debt is the method employed by the Government.

If a Creditor ignores his legal commitments, he could issue a statement of debt at any figure. If the Courts of Alberta were called upon to state the amount of the Province's legal debt, the amount of money withheld by the Government as a result of the Compulsory cut in interest rates would have to be included in the total amount. If this were done, Alberta's debt would show a substantial increase during the present regime.

Actual Debt Position of Alberta

March 31, 1935	June 30, 1939
\$153,903,328.48	\$149,884,668.25
Unpaid interest.....	9,100,000.00
	<u>\$158,984,668.25</u>
Actual increase in 1939 over 1935.....	<u>\$ 5,081,349.77</u>

The real test of efficient administration is not reflected in the "actual debt position," this is to be found in the "dead weight debt" position of the Province.

According to the Public Accounts, the "Comparative Position" of "dead weight debt" in 1935 and 1939 is as follows:

Comparative Position of "Dead Weight Debt" in 1935 and 1939

	1935	1939
Net General or "dead weight debt".....	\$120,413,857.01	\$125,917,193.70
Net contingent liabilities.....	9,036,053.98	9,125,130.94
	<u>\$129,449,910.99</u>	<u>\$135,042,324.64</u>
Against this there are:		
Current assets.....	6,404,204.66	7,362,236.36
Less Current Liabilities.....	2,627,672.61	2,069,177.43
	<u>\$3,776,532.05</u>	<u>\$5,293,058.93</u>
Leaving a total "dead weight debt".....	<u>\$125,673,378.94</u>	<u>\$129,749,265.71</u>

After ignoring the unpaid interest on the debenture and Savings Certificate debt, the increase in "dead weight debt" in 1939 over 1935 amounts to \$4,075,886.77.

PREMIER ABERHART'S PROMISES

PROMISE No. 4

No Repudiation

Aug. 24, 1935—EDMONTON BULLETIN—

Calgary—in part— Mr. Aberhart's statement, issued to the Canadian Press said: *"Our money is standing absolutely standard. Social Credit is determined to maintain the credit of the country at par. There is no better investment in Canada than Alberta Bonds at the present time. We have no intention of confiscating or repudiation in any way, shape or form."*

(1) Chapter 11, Second Session, 1936. The Provincial Securities Interest Act, 1936

An Act respecting the Interest Payable on Debentures and other securities of the Province. This Act provides for a cut in interest rate of 50% with a minimum of 2% on:

- (a) Debentures heretofore issued by the Province.
- (b) All Stock heretofore issued by the Province.
- (c) All Treasury Bills issued by the Province.
- (d) All debentures guaranteed by the Province, save and except only the \$7,400,000 5% debentures of the Alberta & Great Waterways Ry. Co.
- (e) All Savings Certificates.

This Act came into force on proclamation. In effect, it validates the Order-in-Council reducing interest on Provincial bonds.

(2) Chapter 12, 1937. The Provincially Guaranteed Securities Interest Act, 1937.

This Act is in substitution for that portion of the Provincial Securities Act, 1936, so far as the same relates to securities guaranteed by the Province and confirms the reduction of interest in such cases.

(3) Chapter 13, 1937. The Provincial Securities Interest Act, 1937.

This Act came into force on April 14, 1937. This Act re-enacts the provisions of the Provincial Securities Act, so far as the same relates to securities issued by the Province.

(4) Chapter 11, 1937. The Provincially Guaranteed Securities Proceedings Act, 1937.

This Act came into force on April 14, 1937. This Act prohibits proceedings being instituted in respect of a debt guaranteed by the Province without the consent of the Lieutenant Governor in Council.

All of the foregoing Acts were held to be "*ultra vires*." Despite the rulings of the Courts, the Government continues its program of repudiation.

The following table shows the effect of repudiation on the holders of Alberta Securities:

Gross Funded and Unfunded Debt at Contracted and Compulsorily Reduced Interest Rates as at March 31, 1938

Contracted	Gross Debt Millions of Dollars	Interest Payable at Contract Rates	Interest Payable at Reduced Rates Thousands	Repudiation Amount of Dollars
3	\$28.7	\$ 861	\$ 850	\$ 11
3 ¹ / ₂	0.4	14	8 †	6
4	16.1	644	438	206
4 ¹ / ₂	54.3	2,444	1,222 †	1,222
5	48.9	2,445	1,398	1,047
5 ¹ / ₂	7.8	429	215	214
6	14.8	888	444	444
Various	0.4	*	*	*
Total	\$171.4	\$7,725	\$4,575	\$3,150

* Not Available.

† Interest not reduced on \$5.8 millions bank loan.

‡ Interest not reduced on Alberta and Great Waterways Railway bonds amounting to \$7.4 millions.

In a recent report made by Dr. Viner of Chicago to the Government of Alberta, reference was made to the action of the Government in reducing rates of interest on Alberta's bonded indebtedness and savings certificates.

The following is a quotation from the Report:

"I will not undertake here to appraise the Provincial action, and will confine myself strictly to economic considerations. As an offset to the saving in interest to the Provincial Government resulting from the unilateral reduction in the rates at which payments were made, there were genuine losses to the people of the Province. These losses are most obvious where the holders of the Provincial obligations were Albertans. But they extended further than this. The suspension of payments not only injured very seriously the credit of the Provincial Government, but it tended to cause a cloud over all credit of the Province, including that of municipalities as well as of individuals and corporations."

Recent developments suggest that the majority of the supporters of the Government regret that a more honorable course of action had not been pursued in providing the taxpayers with some relief from the burden of interest charges. It is obvious that no thought was given to the ramifications of "the broken word" "or contract." The Chief Justice of Alberta according to the Edmonton Journal made a recent statement which is worthy of repetition. Following is a quotation from the Edmonton Journal, October 25:

"With the example given by some nations and governments in repudiating their solemn promises, the sense of honor (of the individual) may become blunted and give way to the sense of seeming self interest with disastrous results unless halted by the courts or the legislators," Chief Justice Harvey remarked in Alberta appeal court this week.

If further authority is required to establish the evil influence of "Repudiation"—"broken word" or "violation of treaties"—read the pronouncement of Pope Pius XII which appeared in the Press on October 27, 1939:

Pope Pius described his *"Expectation and conviction that each party will respect its plighted word"* in treaties as an indispensable condition of Peace. The Pope acknowledged that treaties might become outdated with the passing of time. *"In such cases, he said, "recourse should be had to frank discussion with a view to modifying the treaty or making another in its stead."*

"But to consider treaties on principles as ephemeral," he declared, "and tacitly to assume the authority of rescinding them them unilaterally when they no longer are to one's advantage would be to abolish all mutual trust among states."

All responsible citizens subscribe to the view so well expressed by the Pope, in regard to modification of treaty or contract. In such matters, the philosophy expressed by Premier Aberhart is a subject of grave public concern.

An example will be found in the press reports of a statement made in September, 1938.

ABERHART'S VIEW OF BRITAIN'S POSITION IN THE CRISIS OF SEPTEMBER, 1938

The Edmonton Journal on September 26, 1938 (at which time it was expected war with Germany would be declared any day), carried the following report, in part, of the Premier's address at the Prophetic Bible Conference in the Strand Theatre, Edmonton:

"In his comments on the crisis with which Germany is confronting Britain, Mr. Aberhart said that 'highly explosive type of feeling is being engendered by the parties concerned,' and urged that the people be calm 'and weigh matters'."

"The German people," he said, in reading from a prepared manuscript, "are being fired by that peculiar type of mad patriotism that drives them to fight if any of the members of their race, in any country, does not get more than most ordinary citizens ever have."

"And the British, French and Russian people are being stirred by that other equally foolish concept of contractual obligation which demands its fulfillment, no matter what the conditions are."

He Denied the Accuracy of this Report

Here is what the Premier said in a written statement issued and published in the Edmonton Bulletin of October 5, 1938, of what he had said on September 25th, and reported in the press September 26:

"There never was a time since the last great European war that people needed to be calm and to weigh matters as they do now. The present situation in Europe looks exceedingly bad."

"The danger is all the greater because of the highly explosive type of feelings that are being engendered by the parties concerned. The German people are being fired by that peculiar type of mad patriotism that drives them to fight if any of the members of their race in any country do not get even more than most ordinary citizens ever have, and the British, French and Russian people are being stirred by that other equally foolish concept of contractual obligation which demands its fulfillment, no matter what the conditions are."

In the Crisis of September, 1938, did Mr. Aberhart mean:

1. That the British people were not calm.
2. That the British people did not weigh matters.
3. That the British people were engendering a highly explosive type of feeling.
4. That the British people were guilty of, and were being stirred by, a foolish concept of contractual obligations.

The Premier, in commenting on the report in the Edmonton Journal of September 26, refers to it as:

1. *"The detestable low down attempt to make political capital."*
2. That it is actuated by *"a vicious purpose."*
3. That it is *"distorting a fair statement."*
4. *"An untrue and diabolical statement."*
5. That it is *"mad dog tactics."*
6. That it is the *"lowest type of Journalism."*
7. That the Edmonton Journal has accomplished its vicious purpose.

Compare the Foregoing Statements.

What justification is there for the Premier using such extreme language?

PREMIER ABERHART'S PROMISES

PROMISE No. 5

No Defaults

Jan. 15, 1936. EDMONTON JOURNAL—

"Dominion Aid Prevents Default by this Province on \$2,000,000 Maturity."

Mar. 30, 1936. EDMONTON JOURNAL, Calgary—

Premier Aberhart speaking at the Calgary Prophetic Bible Institute yesterday declared *"Alberta would arrange to meet its \$3,200,000 maturity April 1."* *"We can and will arrange for our coming maturity,"* he said.

Mar. 31, 1936. EDMONTON JOURNAL, Ottawa, Charles Bishop—

"Premier Aberhart turned down that project." (Loan Council.)

Mar. 31, 1936. EDMONTON JOURNAL, Edmonton—

"I am sorry, but it is impossible to meet the obligation," Premier Aberhart said at noon Tuesday, at the end of a cabinet meeting.

Apr. 13, 1936. EDMONTON JOURNAL, Calgary—

Premier Aberhart, Sunday, at the Prophetic Bible Institute. *promised bondholders the Alberta Government would pay the par value of its obligations.*

May 17, 1937. EDMONTON JOURNAL—

Province will seek avoid default on bond maturity of \$1,650,000. *"Hopes for financial aid have been studied,"* says Premier. Not definite yet. Damage to credit in foreign market is feared.

May 31, 1937. CALGARY HERALD—

"Alberta Government to default on \$1,650,000 maturity tomorrow," Low states.

Hopes to arrange *"General Refunding Operation."*

Jan. 16, 1939. EDMONTON JOURNAL—

Alberta unable meet maturity. \$2,500,000 bond issue will form sixth default.

Province of Alberta Bonds and Savings Certificates in Default as at Sept. 1st, 1939

Bonds—

April 1, 1936.....	\$ 2,846,000.00
Nov. 1, 1936.....	1,109,000.00
June 1, 1937.....	1,630,000.00
June 1, 1938.....	2,000,200.00
Jan. 1, 1939.....	1,000,000.00
Jan. 15, 1939.....	2,500,000.00
June 1, 1939.....	750,000.00
Sept. 1, 1939.....	250,000.00
Savings Certificates, approx.....	6,000,000.00
Total.....	<u>\$18,105,200.00</u>

Province of Alberta Bonds maturing during the next four years:

Feb. 15, 1940.....	\$ 2,750,000.00
Apr. 15, 1940.....	750,000.00
July 15, 1941.....	750,000.00
Sept. 1, 1941.....	2,250,000.00
Oct. 1, 1941.....	2,853,230.00
Dec. 1, 1941.....	700,000.00
Jan. 15, 1942.....	1,250,000.00
July 1, 1942.....	150,000.00
Sept. 15, 1942.....	2,948,000.00
Nov. 1, 1942.....	53,908.00
April 1, 1943.....	3,500,000.00
July 1, 1943.....	2,000,000.00
Nov. 1, 1943.....	2,948,421.00
Nov. 1, 1943.....	133,333.00
	<hr/>
	\$23,036,892.00

The foregoing statements of "Defaults" and "Bonds maturing during the next four years" aggregate more than 40 millions.

Before this huge sum can be obtained to refund these obligations at lower interest rate the first requisite is "Confidence in the administration."

A very proper question which is frequently asked by the investing public is "Can we trust a Government which has ruthlessly ignored public Commitments?" To restore a sound credit position in Alberta is no easy task for any Government, but it is obvious that the record of the Aberhart Government is a flimsy foundation upon which to build any hope.

PREMIER ABERHART'S PROMISES

PROMISE No. 6

We Will Refund the Public Debt

Mar. 3, 1936. CALGARY ALBERTAN, Edmonton—

"*Alberta Government is counting on refunding operations for the \$158,629,000.00 gross funded debt of the Province to balance the budget,*" it was confirmed by Premier Aberhart after the budget was revealed.

"*Interest basis of 2.75%.*"

Apr. 9, 1936. EDMONTON JOURNAL—

"*Premier Aberhart hopes to refund entire public debt of Alberta within the next 90 days,*" he announced Thursday. 160

May 9, 1936. CALGARY HERALD—

"*The Provincial Government plan for the refunding of practically the whole of the provincial debt, totalling \$160,000,000.00 at a lower rate of interest, will be in operation before the end of June, unless there is an unexpected hitch, Premier Aberhart told the Herald in an interview this morning.*"

May 15, 1936. EDMONTON JOURNAL—

"*Alberta's entire provincial debt will be refunded gradually during the next six months, it was indicated Friday as Provincial Treasurer, Charles Cockroft, said that the Government may be able to proclaim the compulsory conversion bill by June 1.*" (Believed 2.75% will be the new interest rate.)

May 25, 1936. EDMONTON BULLETIN—

"*Serious consideration will be given by the Dominion Government to guaranteeing the provincial refunding plans, if the consent of the bondholders to a lower interest rate is obtained, declared Premier William Aberhart on his return here on Monday after visiting Ottawa to interview Premier Mackenzie King and members of his Cabinet. The Dominion, however, gave no positive assurance on this point, he said.*" Asked if the Province intended to seek consent of the bondholders in interest reduction, the Premier said "Yes."

July 22, 1937. EDMONTON BULLETIN—

Bond registering plan mystifies, holders' counsel Protective committee says if Premier is sincere, all he has to do is go ahead and discharge obligations.

May 19, 1938. EDMONTON BULLETIN—

Alberta will make effort to refund debt.

Budget will tell whole story of financing, Hon. Solon Low, says.

Mar. 19, 1938 CALGARY HERALD—

Low blames default on Bank of Canada. Budget debate concluded with defence policies; extravagance is denied. Loan Council plan unconstitutional, says Minister.

Sept. 10, 1938. EDMONTON JOURNAL—

Low leaves on trip East; may talk debt conversion. Aberhart refuses information on Treasurer's mission. \$3,500,000 due soon.

Nov. 2, 1938. CALGARY HERALD—

Move to negotiate refunding of Alberta's debt.

Calgary and Los Angeles men employed as experts; \$1,950.00 voted for expenses.

Negotiations toward refunding kept secret—Reed and Sousa unknown in Canadian financial circles—orders-in-council put through by "Acting Provincial Treasurer."

Turn down loan council.

Nov. 17, 1938.—

Low negotiates move in New York to refund entire Alberta Debt. Investors wary of Alberta bonds with interest cut, say Eastern financiers. Financial men query reception of scheme by U.S. Canadian syndicate—resources to be held out as security for plan; move anticipated in 1939.

Nov. 18, 1938. EDMONTON JOURNAL—

Premier leaving at once for refund talk in Ottawa. Will leave for Federal Capital immediately, he announces. For whole debt.

The foregoing press reports disclose the efforts of the Government to refund the Public Debt at lower interest rates. Naturally people ask, "what is the cause of failure, when there is plenty of money available for Government securities?"

The answer is obvious to everyone who knows anything about the sensitive nature of Public Credit. You cannot repudiate a public commitment without inflicting a serious injury to reputation. Slogans, Propaganda, abuse of creditors, front seat in the "New Democracy" wagon, contribute nothing to the wealth of our resources or the honesty of our people. What responsible citizens are demanding, and properly so, is an honorable program of refunding at rates of interest on a par with other public bodies in Canada. This can be done, the funds are readily available, the creditors are anxious to co-operate. It is within the power of the Alberta electorate to elect a Government which will pursue a business-like course. Such course will result in the removal of the stigma of default, the restoration of a sound credit position, substantial relief to the taxpayer and enable this Province to embark on a Progressive program of development.

New Issues—Canadian Government Bonds April, May and June, 1939

Dominion of Canada:

\$39,000,000	3%	1 June, 1950	97.75	3.13%
95,500,000	1½%	15 May, 1942	99.25	1.75%
50,000,000	Treas. Bills	Sept. 1939	99.85	.61%

Prov. of Br. Columbia:

\$3,000,000	3½%	1944	98.87	3.75%
4,000,000	3¼%	1944	97.54	3.75%

Prov. of Ontario:

\$ 7,500,000	2%	1942	99.50	2.15%
7,500,000	3%	15 Apr. 1948	98.75	3.16%
10,000,000	3%	1954	99.75	3.02%

Prov. of New Brunswick:

\$1,250,000	3¼%	1942	98.50	3.58%
9,250,000	3-3½%	1944 & 1949	100.00	3-3½%

Prov. of Nova Scotia:

\$2,500,000	2½%	1942	99.60	
2,500,000	3½%	1949	98.52	3.68%

Prov. of Saskatchewan:

\$3,000,000	4%	1940	100.50	3.55%
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The foregoing bond issues which were sold recently indicate the availability of funds at reasonable rates of interest in other parts of Canada.

The same sources are available to Alberta for refunding the moment confidence is restored.

PREMIER ABERHART'S PROMISES

PROMISE No. 7

Will Settle Private Debts

Aug. 27, 1938. EDMONTON JOURNAL, Calgary—

J. F. Sanderson, quoting Mr. Aberhart following an interview "We have no intention of injuring capital investments in any way.—On the contrary, we will protect capital.—We have every reason to protect the holdings of the people.—We must keep the homes and farms of the people without being a detriment to holders of mortgages.—And we are determined—and I cannot emphasize this too much—there will be no repudiation of debts. It will be our determination to see our people pay their Debts."

Social Credit Platform, 1935.

Plank No. 2—The Present Problem of Debt:

1. The Distribution of basic Dividends and the establishment of a Just Price will at once begin to give our citizens the ability to cope with the Mortgage Indebtedness at present against their farms and their homes.
2. The increase in Consumption will of necessity make a greater demand for services and that will produce wages to help settle these debts.
3. The Debt Adjustment Act will be amended to prevent hasty foreclosures on all property and adequately to meet the requirements of all classes of debtors.
4. Later, as prosperity returns under Social Credit, Interest-Free Loans may be granted to liquidate or refund the present interest-bearing mortgages.

From the foregoing quotations, it is obvious that the Premier had no intention of **adjusting private debts**, but pledged himself to pursue a course of action which would provide debtors with sufficient funds to liquidate their obligations. NOTE: The Premier's Statements: "*We will protect capital.*" "*There will be no repudiation of debts.*" "*It is our determination to see our people pay their debts.*"

Then Note Plank No. 2 Social Credit Platform:

"Basic Dividends and Just Price" will enable citizens to cope with mortgage indebtedness." "Increase in wages will help settle debts." "Interest-free loans to refund present interest-bearing mortgages."

The subsequent action of the Government is a complete denial of the Premier's pre-election promises.

We submit herewith a list of legislation which discloses the policy of the Social Credit Government with respect to this menacing problem:

1. The Reduction and Settlement of Debts Act, 1936, 2nd Session, Chap. 2:

This act came into force on September 1, 1936.

This Act applies to debts before the 1st of July, 1932. No interest is to run on such a debt since the 1st day of July, 1932, and all payments made since that date, even though already applied on interest, are to be applied on principal, and the balance is payable over a period of ten years without interest.

The result of this legislation, even assuming that all subsequent payments would be made punctually, would be to reduce the debt in most cases to practically 50%.

This Act was subsequently held to be *ultra vires* by the Courts.

2. **The Debt Adjustment Act, 1936, 2nd Session, Chap. 3:**

This Act came into force on September 1st, 1936.

It repeals the Debt Adjustment Act, 1933. It extends protection to the debts given by previous acts to the 1st of July, 1936, the original date having been the 1st of July, 1932.

3. **The Postponement of Debts Act, 1937, Chap. 30:**

This Act came into force on April 14, 1937.

This Act gave the Lieutenant Governor in Council power to declare a Moratorium at any time.

Repealed 1938, Chap. 26, O.C.

4. **The Debt Adjustment Act, 1937, Chap. 9:**

This Act came into force on the 17th of June, 1937, and repealed the 1936 Act.

The debts protected before were practically those of resident farmers and resident home owners, but under this Act, the protection is extended to all resident debtors in respect of debts incurred prior to the 1st of July, 1936. (The date under the 1936 Act being four years earlier, the 1st of July, 1932.)

The great objection to this Act is the administration of it, especially the principle adopted that no matter how old an interest bearing debt is, if it carried more than 5% it had to be computed at 5% from the beginning before a permit can be obtained.

5. **The Judicature Act, Amendment Act, 1937, 2nd Session, Chap. 5:**

This Act came into force on August 6, 1937, but has been disallowed.

It provided that the constitutional authority of any Alberta Act should not be raised in the Courts without the leave of the Lieutenant Governor in Council.

6. **The Home Owners Security Act, 1938, Chap. 29:**

This Act came into force April 8, 1938, and was disallowed by the Dominion Government.

In the case of a farm home upon which there was a mortgage, no proceedings could ever be taken on the mortgage, so that the same was in effect extinguished.

In the case of a city home, no proceedings could be taken unless the creditor deposited \$2,000.00 in Court, and in case of foreclosure the debtor would get the \$2,000.00.

This would, of course, in effect, have extinguished all mortgages in villages, towns or cities where the mortgage was \$2,000 or under.

7. **The Vendors and Mortgages Costs Execution Act, 1938, Chap. 30:**

This Act came into force April 8, 1938.

This Act prevents the collection of any fees or disbursements incurred by a mortgagee or vendor, such as inspection charges or costs paid to a local agent, and provided a penalty for endeavoring to collect any such charges.

8. **The Debt Proceedings Suspension Act, 1938, Chap. 25, O.C.**

This Act comes into force upon proclamation.

It is in effect a moratorium, which will come into force any time upon proclamation.

9. **The Limitation of Actions Act, 1933, Amendment Act, 1938, Chap. 28:**

This Act came into force on the 8th of April, 1938.

Under it, all debts prior to July 1, 1936, are barred by the 1st of July, 1940, unless the debtor enters into a new agreement or debtor

is sued but in the latter case, consent of the Debt Adjustment Board would be necessary.

This Act was disallowed.

10. The Limitation of Actions Act, 1938, Amendment Act, 1939, Chap. 80:

This Act came into force on April 3, 1939, and is practically the same as the 1938 Act, which was disallowed, except that the date is extended to the 1st day of July, 1942. This act was disallowed.

11. The Judicature Act, Amendment Act, 1939, Chap. 81:

This Act came into force on April 3, 1939.

This Act extinguishes the personal covenant in mortgages and agreements for sale.

A Perusal of the foregoing legislation will disclose important factors:

- (1) The "Acts" seeking adjustment of debts were beyond the Legislative competence of the Province.
- (2) The method of adjustment had no regard for "ability to pay" or the moral aspects of the debts.
- (3) The effect of such proposals aggravated the problem by destroying credit.
- (4) The "Postponement" legislation gave no permanent relief to the debtor.

A resume of the foregoing legislation will disclose an abandonment of "Dividends" "Just Price" and "Increase in Wages" and a callous disregard of legitimate obligations. The Legislation ignores the constitutional powers of the Province, destroys the basis of equitable adjustment, postpones settlement of debts and aggravates the problem of rehabilitation of our internal economic structure. Its damaging effects are far reaching in the ramifications of industry and business.

If the Government had a genuine desire to adjust debts, it would have encouraged debtors to avail themselves of the machinery created by the Dominion Government, known as "The Farmers' Creditors' Arrangement Act." In order to speed up debt adjustment, a proposal was made on the floor of the Legislature to petition the Dominion Government for additional Boards of Review. The Premier opposed the discussion of the resolution, on the grounds that the proposal conflicted with the Government's program.

PREMIER ABERHART'S PROMISES

PROMISE No. 8

Recall Legislation :

Dec. 23, 1935. EDMONTON JOURNAL—

"In six months you will have recall legislation and you can banish me to the tall timbers."—Premier Aberhart.

The Social Credit platform used in the 1935 election campaign contained a definite promise to enact recall legislation. According to Chapter 82, 1936, Statutes of Alberta, this promise was fulfilled. The provisions of the Act clothe voters with power to recall their member should he fail to carry out his pre-election promises. The Premier having failed to fulfill many of his promises a petition from the voters of the Constituency which Mr. Aberhart represents, was presented to the clerk of the Legislative Assembly on September 21, 1937. Under the Act, it was necessary that 75% of the number of the voters on the voters list at the last election should sign the petition, and that the petition should be accompanied by a fee of \$200. All the requirements of the act were met by the voters in the Okotoks High River constituency. It was the first demand under the recall Legislation. There was only one way available to prevent the voters of the Okotoks High River constituency exercising their legal rights and that was by repealing the act which gave them power to recall. During the third session of the Legislative Assembly, 1937, a bill was introduced entitled

"An Act to Repeal the Legislative Assembly Recall Act."

This Bill received royal assent on October 5, 1937. Section 2 and 3 of the Act read as follows:

Section 2—

"The Legislative Assembly (Recall) Act, being Chapter 82 of the Statutes of Alberta, 1936, is hereby repealed."

Section 3—

"The repeal effected by this Act shall relate back to the third day of April, 1936, and to every act done or right or liability accruing or accrued or incurred under the Act hereby repealed and to all proceedings in respect of any such act, right or liability; and any proceedings heretofore instituted under the provisions of the Act hereby repealed shall utterly cease and determine and shall be and become null, void and of no effect, as if the Act hereby repealed had never been enacted."

It will be observed that the repeal relates back to the third day of April, 1936. The purpose of this provision is to nullify all the actions of the voters in the Okotoks High River constituency with respect to the right of recall. In addition to repealing the recall Legislation, the Government has retained the \$200 which accompanied the recall petition.

SUMMARY

1. Social Credit Dividends.

- (a) \$25.00 a month was promised by Mr. Aberhart.
- (b) Dr. Cross, Minister of Health, in an address in the Legislature stated:

"We have considered plans submitted to us from all parts of the world by hundreds, but when they say give us experts, there is no man in the world who has had experience in introducing Social Credit."

- (c) Government threw up its hands; admitted failure and delegated the job to a Social Credit Board.
- (d) Chairman of Board goes to London; confers with Major Douglas; returns to Alberta with Messrs. Powell and Byrne.
- (e) Mr. Powell returns to England. Mr. Byrne, the mystery man, is still on the Provincial payroll at \$6,000.00 a year, but no one knows what he is doing.
- (f) Social Credit Board has expended huge sums of public funds on experts, members of Board, pamphlets, travelling expenses, etc., but no Social Credit.
- (g) The costly experiment is over. The Premier turns to Herridge for a new slogan.

2. Increase in Revenue—Income Account.

- (a) In 1935, the total revenue—Income Account—was \$15,697,770.48, or 20.47 per capita. In 1939, the revenue was \$24,269,817.40 or 30.82 per capita.
- (b) Taking 1935 revenue as a basis, the total excess revenue during Social Credit regime, exceeds 26 millions of dollars.
- (c) The increase in revenue in 1939 over 1935 was \$8,572,062.92.

3. Increased Taxes, Licenses and Fees, 1939, over the year 1935:

- (a) Taxes.....\$3,288,840.67.
- (b) Licenses..... 660,717.04.
- (c) Fees..... 851,319.35.

4. Expenditure—Income Account, or Cost of Government.

- (a) Cost of Government in 1935, including full interest charges on public debt, and Sinking Fund requirements—\$17,435,821.37. Cost of Government in 1939, with only half interest charges and no provision for Sinking Funds—\$21,242,625.48.
- (b) Increase in ordinary expenditures in 1939 over 1935 was \$7,046,291.99. Two notable items in the list of increases are:
 - (a) General Government.....\$451,932.11.
 - (b) Education..... 418,281.57.

5. Special Increases in Expenditure in 1939 over 1935.

- (a) Payment to members of Legislature and to members of the Executive Council of salaries, indemnities and travelling expenses—\$34,681.36.

(b) Salaries, travelling and miscellaneous expenses paid to Civil Servants—\$583,882.42.

(c) Establishment of Treasury Branches and Alberta Social Credit Act—\$121,440.08.

(d) Pamphlets—\$15,000.00.

6. Special Expenditures for the Year 1939-1940.

Appropriations:

(a) Alberta Social Credit Realization Act—\$52,150.00.

(b) Treasury Branches—\$267,835.00.

(c) Special Warrants for Treasury Branches—\$459,700.00.

7. Public Debt.

Increase in debt in 1939 over 1935—\$4,075,886.77.

8. Repudiation.

Premier Aberhart definitely promised there would be no repudiation. Interest charges on Public Debt and Savings Certificates were compulsorily reduced instead of through negotiations, thereby destroying the credit of the Province.

9. Defaults.

(a) Total amount of Alberta bonds and Savings Certificates in default as at September 1st, 1939—\$18,105,200.00.

(b) Amount of bonds maturing between February, 1940, to November, 1943—\$23,036,892.00.

The Province of Saskatchewan has experienced much greater hardships than any other Province in Canada, but defaults have been averted because of the readiness of the Government to co-operate with Federal authorities.

10. Refunding Public Debt.

Considerable effort has been made to refund the Public Debt at lower interest rates. Failure is due to the impaired credit position of the Province. Until there is evidence that the Government will respect public commitments, it will be impossible to refund the Public Debt.

11. Private Debts.

Nothing has been accomplished by the present Government in its program of private debt adjustment. Numerous legislative gestures have been made, all of which were beyond the legislative competence of the Province. Debt postponement seems to satisfy the present Government.

12. Recall Legislation.

The Government fulfilled its promise to pass recall legislation, but immediately there was an attempt to unseat the Premier, "An Act to Repeal the Legislative Assembly Recall Act" was passed, thereby enabling the Premier to retain his seat in the Legislature.

CONTENTS

	PAGE
1. Introduction.....	3
2. Premier Aberhart's Promises.....	5
3. Promise No. 1—Social Credit Dividends, \$25.00 a month.....	6
4. Promise No. 2—No increase in taxation.....	9
Revenue Income Account for the Fiscal years 1935 to 1939.....	9
Increases in Revenue in 1939 over 1935..	10
Wild Land Tax.....	11
Social Service Tax.....	11
Income Tax.....	12
Automobile Drivers' License.....	13
Sales Tax.....	13
General Taxation.....	13
Expenditure Income Account for the Fiscal years 1935 to 1939.....	15
Increases in Expenditure in 1939 over 1935.....	15
Special Increases in Expenditure.....	17
Public Pay for Pamphlets.....	18
Expenditure by Special Warrants.....	20
5. Promise No. 3—No Increase in Public Debt.....	21
Sinking Fund Arrears.....	21
Actual debt position March 31, 1935 and June 30, 1939.....	22
"Dead Weight Debt" position in 1935 and 1939.....	22
6. Promise No. 4—No Repudiation.....	23
Contracted and reduced interest rates on Public Debt as at March 31, 1938.....	24
7. Promise No. 5—No Defaults.....	26
Bonds and Savings Certificates in de- fault at July 15, 1939.....	26
Bonds maturing during next four years.	27
8. Promise No. 6—Will Refund Public Debt.....	28
New Issues of Canadian Government Bonds, April and June, 1939.....	29
9. Promise No. 7—Will Settle Private Debts.....	30
10. Promise No. 8—Recall Legislation.....	33
11. Summary.....	34